

## **PUBLIC DISCLOSURE**

March 23, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Green Tree Retail Services Bank  
34202**

**1400 Turbine Drive  
Rapid City, South Dakota 57701**

**Federal Deposit Insurance Corporation**

**2345 Grand Avenue, Suite 1500  
Kansas City, Missouri 64108**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Green Tree Retail Services Bank**, prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 23, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION

***INSTITUTION'S CRA RATING:*** This institution is rated **Satisfactory**.

The bank's performance is considered satisfactory given the level of CRA-related activities since the bank's inception on July 1, 1996. The bank's CRA performance is primarily centered around its qualified investments and affiliate lending. As discussed below, the bank is legally restricted from participating in all types of community development lending. The bank applied and was approved for designation as a "limited purpose" bank for CRA evaluation purposes in May 1997. A limited purpose institution offers only a narrow product line to a regional or broader market. In this bank's case that product line is credit cards.

### **DESCRIPTION OF INSTITUTION:**

Green Tree Retail Services Bank (GTRSB) is a limited purpose, credit card bank located in Rapid City, South Dakota. Control remains with the parent company, Green Tree Financial Corporation (GTFC), St. Paul, Minnesota. GTFC is a publicly-held corporation whose primary business is origination, servicing, and securitization of conditional sales contracts for manufactured housing, mobile homes, and home improvement products. The bank's only office is located in Rapid City, Pennington County, South Dakota, and operates under the "nonbank" exclusions of the Bank Holding Company Act (BHCA) of 1956 as amended, in part, by the Competitive Banking Act of 1987 (CEBA). Under these provisions, the bank is limited in the activities in which it may participate.

Section 2(c)(2)(F) of the BHCA excludes from the definition of a bank, an institution which:

- (i) engages only in credit card operations;
- (ii) does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties or others;
- (iii) does not accept any savings or time deposits of less than \$100,000;
- (iv) maintains only one office that accepts deposits; and,
- (v) does not engage in the business of making commercial loans.

The bank's operations comply with the above provisions. The bank offers 17 private label and 2 MasterCard credit cards programs and does not operate a retail banking office. The bank's assessment area is the Rapid City Metropolitan Statistical Area (MSA). The MSA is comprised of Pennington County, South Dakota. As of the December 31, 1997, Report of Condition, total assets were \$99,740,000.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE:**

A limited purpose bank's performance is assessed based on the bank's record of helping to meet the credit needs of its assessment area under the community development test through its community development lending, qualified investments, or community development services. GTRSB has participated, either directly, or through its affiliate lending, in all three areas under the community development test. These activities have had community development, as subsequently defined, as their primary purpose. Community development is defined as: 1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; 2) community services targeted to low- or moderate-income individuals; 3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administrations's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or 4) activities that revitalize or stabilize low- or moderate-income geographies. Low- and moderate-income is defined as less than 50 percent and at least 50 percent and less than 80 percent, respectively, of the metropolitan median family income. The 1997 metropolitan median family income is \$39,200.

GTRSB has made progress in meeting its CRA obligations since the bank's inception in July 1996. These efforts are described below.

The announcement in 1991 of the planned closing of Ellsworth Air Force Base had a devastating effect on the housing market in the Rapid City area. Housing construction was virtually at a stand-still until 1996 when the decision that the base had been removed from the closing list was announced. Through internal analysis, the bank uncovered a significant need to improve the availability of affordable housing in the Rapid City assessment area. As a result the bank has focused on initiatives which will increase the supply of affordable housing and support the rehabilitation of existing units to meet the needs of low- and moderate-income families. One of the methods of addressing the identified need is through consideration of the lending activities undertaken by the bank's affiliate in the assessment area. The affiliate is a leader in originating manufactured housing loans. Of the 118 manufactured housing loans totaling \$3,346,787 originated by the bank's affiliate in the assessment area during 1997, 23 loans totaling \$431,973 were made to low-income families (below \$19,600) and 45 loans totaling \$1,242,614 were made to moderate-income families ( $\geq$ \$19,601 -  $<$ \$31,360). These numbers reveal that 58 percent by number and 50 percent by dollar volume of the affiliate's loans originated in the bank's assessment area during 1997 were made to low- and moderate-income individuals. The demand for manufactured housing indicates this is a popular type of housing in Rapid City, and GTRSB expects this lending trend to continue.

In mid-1997, GTRSB became active in the Rapid City Community Development Corporation (RCCDC) by making a capital investment of \$25,000. Additional participation is noted as the bank's CRA officer serves on the board of directors. The RCCDC was organized to promote the welfare of Rapid City and its adjacent area by making loans and investments in low- and moderate-income housing developments. The RCCDC's goal is to provide capital to build or renovate homes for economically disadvantaged low- and moderate-income individuals who wish to own their own home.

During 1997, the RCCDC provided construction financing for three homes built by the Rapid City Housing Coalition. All three homes were sold to individuals at or below the 80 percent median family income level.

The RCCDC applied for and received a Community Development block grant from the City of Rapid City to purchase lots for building affordable housing. Two lots were purchased in a moderate-income area and construction will begin shortly. Upon completion, the houses will be sold to low- or moderate-income individuals. The RCCDC has established a goal for 1998 to develop three new homes and complete two rehabilitation projects to contribute to the affordable housing needs of the community.

GTRSB has also participated in the Rapid City Community Development Rehabilitation Program. In conjunction with one of its private label credit card clients, GTRSB donated and installed two HVAC furnace and air conditioning systems to be used in the rehabilitation of two homes. The bank worked through the Rapid City Community Development Rehabilitation Program to select qualified low-income families to receive this assistance.

During 1997, bank personnel developed and delivered two presentations to high school seniors at Rapid City Central High School. The presentations focused on educating young adults on the responsible use of credit cards. Rapid City Central High School is located in a moderate-income area, and bank management indicated the majority of the students are from low- to moderate-income families.

Rapid City Housing Coalition is a non-profit corporation whose main purpose is to develop affordable housing for Native Americans and low-income families. The Coalition is committed to determining solutions for housing and other problems faced by low-income people. The bank has plans to partner with the Rapid City Housing Coalition during 1998 to promote affordable home buying seminars in their assessment area. The seminar, "The Six Steps to Home Ownership," is presented monthly, and the bank will provide speakers with financial expertise to assist at these seminars.

Green Tree Retail Services Bank, Inc. continues to investigate the needs of the community and seek methods to meet those needs, particularly in the areas of affordable housing for low- to moderate-income individuals.

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

## ASSESSMENT AREA

Green Tree Retail Service Bank's assessment area is the Rapid City Metropolitan Statistical Area (MSA) #6660. This MSA includes all of Pennington County, located in western South Dakota. The area includes Rapid City and the surrounding rural communities. There are 21 census tracts located in the MSA. The table below displays the breakdown of the census tracts by income category, including population in those tracts.

**Table 1 - Income and population by census tract**

<b>Income Category</b>	<b>Percentage of Median Family Income</b>	<b>Number of Census Tracts</b>	<b>Percentage of Census Tracts</b>	<b>Total 1990 Population</b>	<b>Percentage of Total Population</b>
Low-income	<50%	0	0%	0	0
Moderate-income	≥50% - <80%	7	33%	28,007	34%
Middle-income	≥80% - <120%	9	43%	31,665	39%
Upper-income	≥ 120%	5	24%	21,671	27%
<b>TOTAL</b>		21	100%	81,343	100%

*Source - 1990 Census*

Rapid City has a strong economy, experiencing moderate growth in population, and an expanding job market. Population has increased by about 2 percent per year since 1990. Rapid City and the surrounding territory is a tourist area with the tourist season considered to be May through October. During 1997, unemployment ranged between 2.0 and 3.4 percent. The table below displays the major employers in the area.

**Table 2 - Major employers**

<b>Name</b>	<b>Product/Service</b>	<b>Employees</b>
Ellsworth Air Force Base	Government Air Base	4,403
Rapid City Regional Hospital	Medical Services	1,900
Rapid City School District	Education	1,900
SCI, Inc.	Computer Circuit Board Manufacturer	600-900
Green Tree Retail Service Bank/ Green Tree Financial Corp.	Financial Institution/Finance Company	900
City of Rapid City	Government	750
Federal Government	Government	720
State of South Dakota	Government	630
Spiegel, Inc.	Customer Tele-Servicing Center	300-500
Black Hills Corporation	Electric Utility	430
Pennington County	Government	410

*Source-Rapid City Chamber of Commerce*

Community contacts stated that the median cost of housing in the Rapid City area is \$96,000 and indicated that the most prevalent credit need is affordable housing for low- to moderate-income families. Green Tree Retail Services Bank, Inc. has demonstrated its commitment to fulfilling this need.



## **APPENDIX A**

### **SCOPE OF EVALUATION**

The CRA review covered the time period of July 1, 1996, (the date the bank began operations) through March 23, 1998, (the evaluation date). The scope included a review of the bank's CRA performance within its assessment area.

The scope of the evaluation consisted of reviewing the various community development activities in which Green Tree Retail Service Bank has participated. The bank's primary CRA activities are its affiliate lending activities to low- and moderate-income individuals and its investment in and commitment to the Rapid City Community Development Corporation.

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Wholesale and Limited Purpose Performance Evaluation  
FFIEC November 13, 1995

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